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T.D.S. rates are changing w.e.f. 1-10-2009

Hi members,

You might recollect the mega Budget 2009 Live analysis by our FSIA Panel at Hotel Delite on 6-July-2009. It was For the Second Consecutive Time in the history of Faridabad, we had an Instant and LIVE Budget Analysis, with a panel of Experts,

Now the Budget has been passed by the Lok Sabha etc and enacted as a Law. The effects are there for all of us to follow. So, today, the **Members have a lot of queries, and questions, and even “confusions”**. So, here is a compiled summary of answers from the FSIA help desk:

TDS rates has been changed by Finance Minister in Budget 2009 .Basically following changes has been done in the TDS rates effective from 01.10.2009



1. **No surcharge and Education cess/ She Cess** on tax deducted on non-salary payments made to resident taxpayers.so now onwards(
 - a) Tax should be deducted on Basic rate only given in respective section.
 - b) No education cess or Surcharge is to be deducted except in the case of salary where Tax should be deducted after including the Education cess.
 - c) Surcharge on individual and HUF assessee has already been abolished for full year Financial Year 2009-10.

2. Basic TDS rates for section 194 C (Payment to contractors) and 194I (payment of rent) has been changed (given in table)
3. Section 194C has been replaced with new section with less ambiguities
4. The rate of TDS will be 20 per cent in all cases, if PAN is not quoted by the deductee w.e.f. 1.04.2010

.FSIA News				
NEW TDS RATES FROM 01.10.2009				
PROPOSED IN BUDGET 2009 PRESENTED ON 06/07/2009				
Particulars			NEW TDS RATES% IF DEDUCTEE IS	
Section	Nature of Payment	CUT OFF AMOUNT	INDIVIDUAL and HUF	OTHER
194A	Interest from a Banking Company	Rs. 10,000/- p.a	10.00	
194A	Interest other than from a Banking Co.	Rs. 5,000/- p.a	10.00	
194C	Payment to sub-contractor/Advertisement contracts	Rs.20,000/- per contract or Rs. 50,000/- p.a	1.00	2.00
194C	other Contractors	Rs.20,000/- per contract or Rs. 50,000/- p.a	1.00	2.00
194C	transport contractors engaged in the business of plying, hiring or leasing goods carriages.		Nil *	
194H	Commission or Brokerage	Rs. 2,500/- p.a	10.00	
194I	Rent other than Plant, Mach.& Eqp.	Rs. 1,20,000/- p.a	10.00	
194I	Rent of Plant , Machinery & Equipments	Rs. 1,20,000/- p.a	2.00	
194J	Professional Charges	Rs.20,000/-p.a	10.00	
<p>For Payments to Transporters only</p> <ul style="list-style-type: none"> • The nil rate will be applicable if the transporter quotes his PAN. • If PAN is not quoted the rate will be 1% for an individual/ HUF transporter and 2% for other transporters upto 31.3.2010. • The rate of TDS will be 20 per cent in all cases, if PAN is not quoted by the deductee w.e.f. 1.04.2010 				
<ul style="list-style-type: none"> • No surcharge and cess is to be added from 01.04.2009 on tax deducted on non-salary payments made to resident taxpayers. • It means that Surcharges & cess is not be included in basic TDS rates ,while deduction tds , in case of payments to resident person/domestic company only . • So in case of payment to Non resident and non -domestic company surcharge and Cess is also to be included while calculating TDS amount . 				

Some FAQ's

Date when Bill became Finance Act 2009 ?

- 19-08-2009

In which cases surcharge on TDS rates is NOT applicable ?

- On all payment to residents
- On all payment to non-corporate non-residents
- On all payments to foreign corporate if total payment is less than 1 Crore

In which cases surcharge on TDS rates is applicable ?

- On all payments to foreign corporate if total payment is more than 1 Crore

In which cases Education Cess, Secondary and Higher Education Cess is NOT applicable ?

- On all payments to residents except salaries payment

In which cases Education Cess, Secondary and Higher Education Cess is applicable ?

- On salaries
- On all payment to non-residents and foreign companies

What is the effective date for above changes in applicability of surcharge and education cess?

- These changes are applicable on the passing of Finance Bill . This date is 19-08-2009. However there are different views on applicability date. One view is that since these changes are for the full financial year, one can take benefit of Section 294 of the income tax Act and start applying this rate from the date of presentation of finance bill.(in my view its applicable from 01.04.2009 , same view is given in The Chartered Accountant Journal released by ICAI)
- Please ask your tax consultant for more clarifications.

Status		Payment	Surcharge	Cess
Resident	Corporate	Other than Salaries	N	N
Resident	Non-corporate	Other than Salaries	N	N
Resident	Non- Corporate	Salaries	N	Y
Non-Resident	Corporate	<= 1 crore	N	Y
Non-Resident	Corporate	> 1 crore	Y	Y
Non-Resident	Non- Corporate		N	Y

There has been change in TDS Rates for 94C- Contractual Payments and 94I- rental payments. What is the effective date for the same ?

- These changes are applicable from 01-10-2009.

Apart from the above , is there any other change in the TDS Rates ?

- Yes. The maximum rate of TDS is normalised to 10% in most cases. Please refer to the TDS Rate Chart for FY 2009-10 ([check TDS Rate & downlaod Chart](#))

What about penal rate of 20% where valid PAN is not given ?

- This provision is applicable from 01-04-2010. Till such time even if valid PAN is not given , normal rate will be applied.

What is your source of above information.

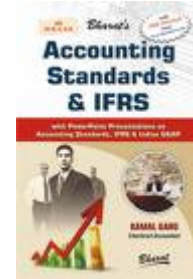
- Applicability of surcharge is mentioned in Clause (5), (6), (7) and (8) in Chapter II of the Finance (No 2) Act , 2009.
- Applicability of Education Cess : Clause (11). Applicability of Secondary and Higher Education Cess : Clause (12).

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What should FSIA SME member's do ?

1. Don't Take it lightly

- a. It is a REAL change.
- b. Study the new laws
- c. Study what is coming in ?
- d. Review where you are ?
- e. Review what changes you need in your ERP Softwares ?
- f. Take guidance of your Chartered Accountants and Management Consultants



We at FSIA are in your service.

For queries, suggestions and feedback , you can e-mail us at :

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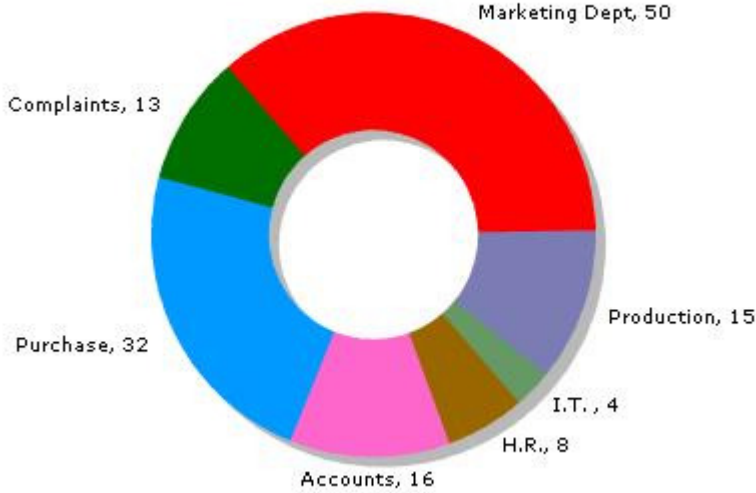

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 <p>Enquiries, 180</p> <p>Quotations, 126</p> <p>Orders Received, 84</p> <p>Despatch, 61</p>	<p><u>Marketing Department Is Effective ?</u></p> <p>This shows graphically the “Funnel phenomenon”.</p> <p>Out of 180 Enquiries, 84 Orders were bagged.</p> <p>And till date of this report, 61 could be despatched.</p>

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